
NEW ORLEANS AREA HABITAT FOR HUMANITY, INC.
NEW ORLEANS, LOUISIANA

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date **DEC 19 2012**

P&N Postlethwaite
& Netterville

A Professional Accounting Corporation

www.pncpa.com

NEW ORLEANS AREA HABITAT FOR HUMANITY, INC.
NEW ORLEANS, LOUISIANA

CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2012 AND 2011

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
New Orleans Area Habitat for Humanity, Inc.
New Orleans, Louisiana

We have audited the accompanying consolidated statements of financial position of the New Orleans Area Habitat for Humanity, Inc. (a nonprofit organization) (the Organization) and its subsidiary as of June 30, 2012 and 2011 and the related consolidated statements of activities and changes in net assets, functional expenses and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the New Orleans Area Habitat for Humanity, Inc. as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information included in Schedules 1 and 2 are presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

Postlethwaite & Netterville

Metairie, Louisiana
November 14, 2012

NEW ORLEANS AREA HABITAT FOR HUMANITY, INC.
NEW ORLEANS, LOUISIANA

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2012 AND 2011

ASSETS

	<u>2012</u>	<u>2011</u>
<u>CURRENT ASSETS</u>		
Cash and cash equivalents	\$ 2,525,581	\$ 4,850,410
Accounts receivable	120,192	357,519
Grants and pledges receivable	718,113	299,606
Investments	2,082,063	2,346,189
Mortgage notes receivable, current portion	171,172	252,743
Construction inventory	6,615,437	13,836,317
Asset held for sale	866,191	-
ReStore inventory	97,077	57,991
Prepaid expenses	38,160	25,830
Total current assets	<u>13,233,986</u>	<u>22,026,605</u>
<u>NON-CURRENT ASSETS</u>		
Mortgage notes receivable, net	3,457,800	5,533,542
Property and equipment, net	11,260,500	2,631,500
Loan costs, net	243,953	253,072
Deposits	2,332	3,250
Total non-current assets	<u>14,964,585</u>	<u>8,421,364</u>
<u>TOTAL ASSETS</u>	<u>\$ 28,198,571</u>	<u>\$ 30,447,969</u>

LIABILITIES AND NET ASSETS

<u>CURRENT LIABILITIES</u>		
Accounts payable	\$ 367,572	\$ 715,548
Notes payable, current	111,111	111,111
Other liabilities	123,908	101,808
Accrued remediation costs	128,092	3,021,780
Due to New Orleans Habitat Musicians Village, Inc.	628,102	-
Total current liabilities	<u>1,358,785</u>	<u>3,950,247</u>
<u>NOTES PAYABLE, LONG-TERM</u>	<u>3,738,889</u>	<u>3,738,889</u>
<u>NET ASSETS</u>		
Unrestricted	22,675,555	22,215,513
Temporarily restricted	425,342	543,320
Total net assets	<u>23,100,897</u>	<u>22,758,833</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 28,198,571</u>	<u>\$ 30,447,969</u>

The accompanying notes are an integral part of these consolidated statements.

NEW ORLEANS AREA HABITAT FOR HUMANITY, INC.
NEW ORLEANS, LOUISIANA

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>REVENUE AND OTHER SUPPORT</u>			
Contributions	\$ 1,405,315	\$ 278,521	\$ 1,683,836
Home sale revenue, net of discount	1,824,548	-	1,824,548
Grant income	-	1,117,779	1,117,779
Tax credit income	783,777	-	783,777
Interest income on mortgage notes	246,369	-	246,369
Investment income	7,060	-	7,060
ReStore income	662,977	-	662,977
Gain on the sale of mortgage notes	958,002	-	958,002
Other income	269,007	-	269,007
Total revenues and other support	<u>6,157,055</u>	<u>1,396,300</u>	<u>7,553,355</u>
Net assets released from restrictions	<u>1,514,278</u>	<u>(1,514,278)</u>	<u>-</u>
Total revenues, support, and assets released from restrictions	<u>7,671,333</u>	<u>(117,978)</u>	<u>7,553,355</u>
<u>EXPENSES</u>			
Program services	6,341,307	-	6,341,307
Management and general	493,646	-	493,646
Fundraising	376,338	-	376,338
Total expenses	<u>7,211,291</u>	<u>-</u>	<u>7,211,291</u>
<u>CHANGE IN NET ASSETS</u>	460,042	(117,978)	342,064
Net assets, beginning of year	<u>22,215,513</u>	<u>543,320</u>	<u>22,758,833</u>
Net assets, end of year	<u>\$ 22,675,555</u>	<u>\$ 425,342</u>	<u>\$ 23,100,897</u>

The accompanying notes are an integral part of this consolidated statement.

NEW ORLEANS AREA HABITAT FOR HUMANITY, INC.
NEW ORLEANS, LOUISIANA

CONSOLIDATED STATEMENT OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011

	<u>Unrestricted</u>	<u>Temporarily Restricted</u>	<u>Total</u>
<u>REVENUE AND OTHER SUPPORT</u>			
Contributions	\$ 1,689,237	\$ 1,079,261	\$ 2,768,498
Home sale revenue, net of discount	1,729,741	-	1,729,741
Grant income	-	296,006	296,006
Interest income on mortgage notes	489,254	-	489,254
Investment income	76,363	-	76,363
ReStore income	513,035	-	513,035
Gain on the sale of mortgage notes	548,381	-	548,381
Other income	91,478	313,500	404,978
Total revenues and other support	<u>5,137,489</u>	<u>1,688,767</u>	<u>6,826,256</u>
Net assets released from restrictions	<u>3,726,361</u>	<u>(3,726,361)</u>	<u>-</u>
Total revenues, support, and assets released from restrictions	<u>8,863,850</u>	<u>(2,037,594)</u>	<u>6,826,256</u>
<u>EXPENSES</u>			
Program services	8,506,688	-	8,506,688
Management and general	501,354	-	501,354
Fundraising	323,088	-	323,088
Total expenses	<u>9,331,130</u>	<u>-</u>	<u>9,331,130</u>
Loss of disposal of equipment	<u>86,092</u>	<u>-</u>	<u>86,092</u>
	<u>86,092</u>	<u>-</u>	<u>86,092</u>
<u>CHANGE IN NET ASSETS</u>	<u>(553,372)</u>	<u>(2,037,594)</u>	<u>(2,590,966)</u>
Net assets, beginning of year	<u>22,768,885</u>	<u>2,580,914</u>	<u>25,349,799</u>
Net assets, end of year	<u>\$ 22,215,513</u>	<u>\$ 543,320</u>	<u>\$ 22,758,833</u>

The accompanying notes are an integral part of this consolidated statement.

NEW ORLEANS AREA HABITAT FOR HUMANITY, INC.
NEW ORLEANS, LOUISIANA

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2012

	Program Services	Management and General	Fundraising	Total
Cost of homes sold	\$ 2,435,762	\$ -	\$ -	\$ 2,435,762
Cost of goods sold - inventory and other	310,776	-	-	310,776
Contract labor	302,490	-	-	302,490
Dumpsters/portable buildings	48,277	-	-	48,277
Depreciation	341,891	-	-	341,891
Donation	311,136	-	-	311,136
Equipment rental	13,024	-	-	13,024
Employee benefits	106,904	32,906	32,029	171,839
Food	-	-	-	-
Insurance	200,969	5,246	5,245	211,460
Interest	29,103	-	-	29,103
Inventory adjustment	(14,731)	-	-	(14,731)
Maintenance	135,074	-	-	135,074
Marketing	42,360	-	32,092	74,452
Merchant and bank fees	29,124	-	-	29,124
Other expenses	8,822	20	(4,918)	3,924
Payroll taxes	75,454	25,520	13,691	114,665
Postage	7,790	242	48,341	56,373
Printing	10,586	833	1,000	12,419
Professional services	329,927	66,542	44,468	440,937
Remediation costs	148,719	-	-	148,719
Rent	72,923	19,100	18,900	110,923
Repairs and building supplies	17,673	(2,450)	-	15,223
Salaries	807,752	326,270	172,095	1,306,117
Security	74,437	-	-	74,437
Supplies	29,081	8,299	3,205	40,585
Tithe	5,000	-	-	5,000
Telephone and communication	67,845	6,915	7,375	82,135
Tools and equipment	20,373	-	-	20,373
Travel and training	928	761	1,792	3,481
Utilities	79,328	28	28	79,384
Vehicle expense	118,896	-	-	118,896
Vista/Americorps	131,955	-	-	131,955
Volunteers	1,584	-	-	1,584
Workers' compensation	40,075	3,414	995	44,484
Total	\$ 6,341,307	\$ 493,646	\$ 376,338	\$ 7,211,291

The accompanying notes are an integral part of this consolidated statement.

NEW ORLEANS AREA HABITAT FOR HUMANITY, INC.
NEW ORLEANS, LOUISIANA

CONSOLIDATED STATEMENT OF FUNCTIONAL EXPENSES
FOR THE YEAR ENDED JUNE 30, 2011

	Program Services	Management and General	Fundraising	Total
Cost of homes sold	\$ 3,101,771	\$ -	\$ -	\$ 3,101,771
Cost of goods sold - inventory and other	281,433	-	-	281,433
Contract labor	2,316	-	-	2,316
Dumpsters/portable buildings	51,494	-	-	51,494
Depreciation	200,976	-	-	200,976
Donation	105,000	-	-	105,000
Equipment rental	-	-	-	-
Employee benefits	99,672	25,451	15,419	140,542
Food	592	-	-	592
Insurance	158,075	3,590	4,147	165,812
Interest	30,411	-	-	30,411
Inventory adjustment	(53,864)	-	-	(53,864)
Maintenance	119,774	-	-	119,774
Marketing	11,410	-	41,717	53,127
Merchant and bank fees	21,071	-	-	21,071
Other expenses	68,852	-	25,178	94,030
Payroll taxes	60,369	27,729	13,186	101,284
Postage	9,940	839	1,528	12,307
Printing	21,387	1,864	2,170	25,421
Professional services	199,193	38,683	13,559	251,435
Remediation costs	2,744,731	-	-	2,744,731
Rent	44,047	18,900	18,900	81,847
Repairs and building supplies	12,356	-	-	12,356
Salaries	775,608	361,258	173,043	1,309,909
Security	4,529	-	-	4,529
Supplies	36,708	13,078	6,207	55,993
Tithe	5,000	-	-	5,000
Telephone	41,081	6,689	6,708	54,478
Tools and equipment	11,250	-	-	11,250
Travel and training	6,686	1,968	1,601	10,255
Utilities	49,588	-	-	49,588
Vehicle expense	168,839	-	-	168,839
Vista/Americorps	84,498	-	-	84,498
Volunteers	194	-	-	194
Workers' compensation	31,701	1,305	(275)	32,731
Total	\$ 8,506,688	\$ 501,354	\$ 323,088	\$ 9,331,130

The accompanying notes are an integral part of this consolidated statement.

NEW ORLEANS AREA HABITAT FOR HUMANITY, INC.
NEW ORLEANS, LOUISIANA

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2012 AND 2011

	<u>2012</u>	<u>2011</u>
<u>CASH FLOWS FROM OPERATING ACTIVITIES</u>		
Change in net assets	\$ 342,064	\$ (2,590,966)
Adjustment to reconcile decrease in net assets to net cash used in operating activities:		
Depreciation and amortization	332,771	210,096
(Gain)/loss on disposal of equipment	(3,400)	86,092
Gain on sale of mortgage notes receivable	(958,002)	(548,381)
Sales of homes to participants	(1,813,208)	(1,634,280)
Non-cash donations	(544,322)	(482,966)
Changes in assets and liabilities		
Accounts receivable	237,327	(300,463)
Grants and pledges receivable	(418,507)	(147,990)
Construction inventory	45,095	(4,696,316)
ReStore inventory	505,236	534,996
Deposits	918	-
Prepaid expenses	(3,211)	9,977
Accounts payable	(347,976)	188,218
Other liabilities	22,100	(6,641)
Accrued remediation costs	(2,893,688)	(5,528,220)
Net cash used in operating activities	<u>(5,496,803)</u>	<u>(14,906,844)</u>
<u>CASH FLOWS FROM INVESTING ACTIVITIES</u>		
Purchases of property and equipment	(2,652,777)	(36,858)
Proceeds from sales of property and equipment	4,000	53,846
Proceeds from mortgage notes receivable	4,928,523	3,831,352
Purchase of mortgages notes receivable	-	(49,365)
Proceeds from investments	275,597	4,500,812
Purchase of investments	(11,471)	(1,096,189)
Change in due to New Orleans Area Musicians Village	628,102	-
Net cash provided by investing activities	<u>3,171,974</u>	<u>7,203,598</u>
<u>CASH FLOWS FROM FINANCING ACTIVITIES</u>		
Issuance of notes payable	-	1,000,000
Net cash provided by investing activities	<u>-</u>	<u>1,000,000</u>
<u>NET CHANGE IN CASH AND CASH EQUIVALENTS</u>	<u>(2,324,829)</u>	<u>(6,703,246)</u>
Cash and cash equivalents, beginning of year	4,850,410	11,553,656
Cash and cash equivalents, end of year	<u>\$ 2,525,581</u>	<u>\$ 4,850,410</u>

The accompanying notes are an integral part of these consolidated statements.

NEW ORLEANS AREA HABITAT FOR HUMANITY, INC.
NEW ORLEANS, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

1. Nature of Activities

New Orleans Area Habitat for Humanity, Inc. (Habitat) and its controlled subsidiary NOAHH MC, Inc. (MC) (collectively, the Organization) are each 501(c) (3) exempt organizations. Habitat, which was incorporated in the state of Louisiana in 1983 and is an ecumenical Christian based housing ministry that seeks to eradicate poverty housing and to make safe, decent, affordable housing a matter of conscience and action, is an independent affiliate of Habitat for Humanity International, Inc. The Organization's service area includes Orleans, St. Bernard, Jefferson, Plaquemines, and St. Charles Parishes. MC was incorporated in the state of Louisiana in March 2009. Its exclusive purpose is to benefit and support Habitat to the extent such support is a charitable purpose.

The Organization builds homes in partnership with volunteers, donors, communities and hard-working, low-income families. Habitat homes are sold to qualifying partner families at no profit through zero percent interest loans.

The Organization operates a retail establishment, the ReStore, which sells donated quality surplus building materials at prices significantly below retail. This allows the public to maintain or improve their homes. The proceeds from the ReStore are used to help further the mission of the Organization.

2. Summary of Significant Accounting Policies

Basis of accounting

The accompanying consolidated financial statements are prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Accordingly, revenues are recognized when earned and expenses are recorded when incurred. Contributions are recognized when received or unconditionally promised. In-kind donations are recognized at their fair market value when received.

Principles of consolidation

The consolidated financial statements include the financial statements of the Organization and its controlled subsidiary, MC. All significant intercompany balances and transactions have been eliminated in consolidation.

NEW ORLEANS AREA HABITAT FOR HUMANITY, INC.
NEW ORLEANS, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

2. Summary of Significant Accounting Policies (continued)

Basis of presentation

The Organization reports information regarding its financial position and activities according to three classes of net assets, as applicable: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets. When a restriction is satisfied or expires, temporarily restricted net assets are reclassified to unrestricted net assets.

Use of estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates made in the preparation of these consolidated financial statements include the determination of the allowance for losses on loans, the valuation of mortgage notes receivable, valuation of property and equipment and accrued remediation costs. It is reasonably possible that the significant estimates used will change within the next year.

Income taxes

The Organization is a non-profit corporation that is exempt from federal income tax under Section 501 (c) (3) of the Internal Revenue Code and qualifies as an organization that is not a private foundation as defined in Section 509 (a) of the Code. It is exempt from Louisiana income tax under the Section 121(5) of Title 47 of the Louisiana Revised Statutes of 1950. The Organization paid no federal income tax for the years ended June 30, 2012 and 2011.

Accounting Standards Codification (ASC) *Accounting for Uncertainty in Income Taxes* policy, clarifies the accounting for uncertainty in income taxes recognized in an entity's financial statements. It also clarifies the application of accounting for income taxes by defining a criterion that an individual tax position must meet for any part of the benefit of that position to be recognized in an entity's financial statements. The interpretation requires recognition and measurement of uncertain income tax positions using a "more-likely-than-not" approach. The adoption of the provisions of the interpretation had no material impact on the Organization's financial statements. The Organization's tax returns for the years ended June 30, 2011, 2010 and 2009 remain open and subject to examination by taxing authorities.

NEW ORLEANS AREA HABITAT FOR HUMANITY, INC.
NEW ORLEANS, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

2. Summary of Significant Accounting Policies (continued)

Cash and cash equivalents

For purposes of reporting cash flows, cash consists of cash and cash equivalents. The Organization considers all money market investments, and other items having an original maturity of three months or less from the date of acquisition, to be cash equivalents.

Investments

Investments in marketable securities with readily determinable fair values are reported at their fair value based on available market quotes in the consolidated statements of financial position and as increases or decreases in unrestricted net assets unless their use is temporarily or permanently restricted by explicit donor stipulations or law. Unrealized gains that are restricted by donors are reported as increases in temporarily restricted net assets. Unrealized gains absent restriction and unrealized losses are reported as increases and decreases in unrestricted net assets.

Mortgage notes receivable

Mortgage notes receivable consist of non-interest bearing mortgage notes which are collateralized by real estate in the New Orleans area and payable in monthly installments over the life of the mortgage notes. The mortgage notes receivable are net of discounts, which represent the difference between the stated amount of the mortgage notes and the present values based on an imputed amount of interest. The discounts are amortized over the lives of the mortgage notes using the interest method. The imputed interest rates used approximate the rates that independent borrowers and lenders would have negotiated in a similar transaction. Mortgage notes receivable are considered past due if payments are more than thirty days late. All mortgage notes receivable are collateralized by residential property. Management believes that the values of such collateral are in excess of the mortgage notes receivable as of both June 30, 2012 and 2011, and therefore no allowance for losses has been provided.

Allowance for doubtful accounts

The Organization records an allowance for doubtful accounts for pledges and accounts receivable, if needed, based on the Organization's collection history.

NEW ORLEANS AREA HABITAT FOR HUMANITY, INC.
NEW ORLEANS, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

2. Summary of Significant Accounting Policies (continued)

Construction inventory and cost of homes sold

Construction inventory consists of land, materials, and other costs associated with houses under construction. Construction in progress is recorded at cost. When homes are sold, costs of homes sold are considered program costs.

Inventory

Inventory is recorded at net realizable value.

Asset held for sale

In April, 2012, the Organization entered into a sale agreement, committing to sell a warehouse building in New Orleans for \$1,750,000, anticipated to close in February, 2013. The net book value of the warehouse of \$861,191 has been classified as asset held for sale on the statement of financial position as of June 30, 2012

Property and equipment

Property and equipment are recorded at cost when purchased and at their estimated fair market value when received as a donation. Expenditures for maintenance and repairs are charged against earnings as incurred. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The costs and accumulated depreciation of assets sold or retired are removed from the respective accounts and any resulting gain or loss is reflected in the change in net assets.

Loan costs

Loan costs consist of professional fees incurred as a result of entering into the notes payable. The costs are amortized over the term of the notes payable which is 360 months. At June 30, 2012 and 2011, accumulated amortization was \$29,639 and \$20,520, respectively.

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support based on the existence and/or nature of any donor restrictions. Donor restricted support is reported as an increase in temporarily or permanently restricted net assets, depending on the nature of the restriction.

NEW ORLEANS AREA HABITAT FOR HUMANITY, INC.
NEW ORLEANS, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

2. Summary of Significant Accounting Policies (continued)

Donated materials and services

Donated assets are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Organization reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor.

Contributed services are recorded when the services received require specialized skills that would otherwise be purchased if not provided by donation, or create or enhance a non-financial asset.

Functional expenses

Generally, expenses are charged to each program or function based on direct expenditures incurred. Expenditures not directly chargeable are allocated to programs or functions based on the estimated percentage of time spent by the Organization's employees or the space utilized.

Reclassification

Certain amounts in the 2011 consolidated financial statements have been reclassified to conform to the 2012 presentation.

3. Investments

Investments consisted of the following at June 30:

	<u>2012</u>	<u>2011</u>
Certificates of deposit	\$1,661,580	\$ 1,650,109
Money market funds	120,483	-
Government securities	-	396,080
Stock subscription	300,000	300,000
	<u>\$2,082,063</u>	<u>\$ 2,346,189</u>

NEW ORLEANS AREA HABITAT FOR HUMANITY, INC.
NEW ORLEANS, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

3. Investments (continued)

Government securities consist primarily of U.S Treasury bills at June 30, 2011. At June 30, 2011, the Organization paid \$300,000 to an agent for a stock subscription to purchase common stock in an initial public offering. The subscription was converted to stock in July 2011. Subsequent to year end, the stock was liquidated. The certificates of deposits have maturities ranging through June 2013.

4. Mortgage Notes Receivable

Mortgage notes receivable consisted of the following at June 30:

	<u>2012</u>	<u>2011</u>
Mortgage notes receivable	\$6,107,909	\$ 9,908,683
Unamortized discount based on imputed interest rates of 1.65% - 9%	(2,478,937)	(4,122,398)
	<u>3,628,972</u>	<u>5,786,285</u>
Current maturities	(171,172)	(252,743)
	<u>\$ 3,457,800</u>	<u>\$ 5,533,542</u>

At June 30, 2012, contractual maturities of mortgage receivables, net of discounts, were as follows:

Fiscal Year Ending June 30:

2013	\$ 171,172
2014	137,758
2015	145,408
2016	156,291
2017	164,312

5. Construction Inventory

Construction inventory consisted of land, materials, and houses in various stages of completion at June 30:

	<u>2012</u>	<u>2011</u>
Construction in progress	\$ 4,158,166	\$ 4,064,387
Musician's Village Streets	2,009,088	2,009,088
Ellis Marsalis Center	-	7,175,786
Pocket Park	-	180,497
Materials inventory and prepaid supplies	217,681	233,882
Lot inventory	230,502	172,677
	<u>\$ 6,615,437</u>	<u>\$ 13,836,317</u>

NEW ORLEANS AREA HABITAT FOR HUMANITY, INC.
NEW ORLEANS, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

5. Construction Inventory (continued)

Subsequent to year end, the Organization donated the Musicians Village Streets to the City of New Orleans.

6. Property and Equipment

Property and equipment consisted of the following at June 30:

	<u>Useful Lives</u>	<u>2012</u>	<u>2011</u>
Buildings and land	32 - 40 years	\$11,336,903	\$ 2,769,753
Furniture and fixtures	3 - 7 years	256,019	37,419
Tools and equipment	2 - 7 years	370,357	370,357
Vehicles	5 years	262,204	286,824
		<u>12,225,483</u>	<u>3,464,353</u>
Accumulated depreciation		<u>(964,983)</u>	<u>(832,853)</u>
		<u>\$11,260,500</u>	<u>\$ 2,631,500</u>

7. Notes Payable

Notes payable consisted of the following at June 30:

	<u>2012</u>	<u>2011</u>
Note payable to a financial institution with interest at 1.0%, requiring quarterly interest payments until April 2016, at which time quarterly principal and interest payments of \$34,716 will begin until maturity in March 2039.	\$ 2,850,000	\$ 2,850,000
Note payable to Habitat for Humanity International, Inc. (HHI) (related party) without interest, requiring 36 monthly principal only payments of approximately \$27,778 set to begin March 2013	<u>1,000,000</u>	<u>1,000,000</u>
	<u>3,850,000</u>	<u>3,850,000</u>
Less current portion	<u>111,111</u>	<u>111,111</u>
	<u>\$ 3,738,889</u>	<u>\$ 3,738,889</u>

During 2012, the note payable to HHI was extended by one year, with payments now beginning in March 2013.

NEW ORLEANS AREA HABITAT FOR HUMANITY, INC.
NEW ORLEANS, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

8. Remediation of Homes with Contaminated Sheetrock

The Organization purchases sheetrock to either use in construction of its homes, donate to others who need sheetrock for reconstruction of their homes, or sell at the ReStore. During fiscal year 2010, the Organization discovered that some of the sheetrock it purchased was contaminated Chinese sheetrock. The contaminated sheetrock caused issues with electrical systems, heating and air conditioning units, appliances and emitted an odor, as well as caused problems with other devices within the house. Studies and court rulings in the matter entitled In Re: Chinese Manufactured Drywall Products Liability Litigation, MDL No. 2047, pending in United States District Court for the Eastern District of Louisiana, suggested properties containing this problematic sheetrock be gutted to the studs and rebuilt. The Organization decided that the right thing to do for its purchasers, who are mostly lower income with limited access to funds for repairs, was to relocate residents temporarily, then gut and rebuild the interior of the homes using uncontaminated sheetrock. During 2011, the Organization began entering into "Remediation Agreements" with residents, whereby the Organization agreed to remediate the homes using Organization funds in return for the resident's assignment to the Organization of his rights to any claim against the sheetrock vendors, manufacturer and his homeowners' insurer. The Organization has retained counsel to pursue these remedies. Counsel for the Organization has given notice to these parties and to the Organization's general liability insurer. At June 30, 2010, the Organization estimated from the number of residences which tested positive for contaminated sheetrock, that the total cost of remediation of affected homes would be approximately \$8,550,000 which was accordingly accrued for as of that date. During 2011, it was further determined that due to additional homes found to contain contaminated sheetrock, an additional \$2,744,731 accrual would be needed. During 2011, the \$2,744,731 additional costs were charged to program expenses in the accompanying statement of activities. As of June 30, 2012, the Organization has a remaining accrual of \$128,092 reflected in accompanying consolidated statement of financial position which it feels is adequate to cover the remaining remediation.

9. Temporarily Restricted Net Assets

The temporarily restricted net assets are primarily restricted for the construction or financing of future houses sponsored by the individual contributors and are included in cash and cash equivalents.

NEW ORLEANS AREA HABITAT FOR HUMANITY, INC.
NEW ORLEANS, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

10. In-kind Contributions and Services

In-kind contributions consist principally of contributed fixed assets, building materials, and supplies for use in the Organization's home building program or inventory for use in the ReStore. During 2012 and 2011, the Organization received goods and supplies with an estimated fair value of \$544,322 and \$482,966, respectively.

In 2012, over 21,000 people volunteered approximately 171,000 hours; in 2011, over 16,000 people volunteered approximately 112,000 hours to assist in the construction work. A valuation of their effort is not reflected in the consolidated financial statements since it does not meet the criteria for recognition.

11. Commitments and Contingencies

Lease Commitments

The Organization leases office space. The office space lease is on a month-to-month basis. Rent expense for the Organization's office was \$57,000 for each fiscal year. In December of 2011, Habitat signed a one year cancellable lease. The lease may be terminated providing that Habitat gives six months notice to the lessor. At times, the Habitat rents residential space for temporary housing for its volunteers. The volunteers pay a modest fee to subsidize the expense. Warehouse space is also leased in six month intervals at \$1,000 per month. Rent expense for other than office space was \$47,302 and \$24,847 during fiscal years 2012 and 2011, respectively.

During 2009, MC, as lessor, entered into a lease agreement, with the New Orleans Habitat Musicians Village, Inc., the lessee, for the right to lease the Ellis Marsalis Center (the Center) after its construction. This agreement calls for base rent of \$105,000 per year for years 1 through 7, then increasing to \$470,000 times an annual Consumer Price Index Factor for years 8 through 30. Additionally, the lease contains two 10 year extension options at fair market rental value. The Center was completed in August 2011 and the lease term began on January 1, 2012. Under the lease agreement, during the period October 1, 2015 through December 31, 2015, the lessee has an option to purchase the Center for \$9,550,000 or fair market value.

NEW ORLEANS AREA HABITAT FOR HUMANITY, INC.
NEW ORLEANS, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

11. Commitments and Contingencies (continued)

Option Agreement

On March 17, 2009, MC entered into an option agreement with a financial institution whereby during a four month period beginning approximately seven years after the date of the agreement, the financial institution can obligate the MC to purchase the financial institution's interest in its subsidiary, with which the MC has notes payable with, for \$5,000. If the financial institution does not exercise its option at the end of its option period, MC has the option during the subsequent 24 month period to exercise its option to purchase the financial institution's interest in its subsidiary, with which the MC had its notes payable with, for its fair market value as determined by the MC.

Contingent Mortgage Notes Receivable

To encourage homeowners to fulfill their commitment to homeownership, second mortgage notes receivable (for the difference between the selling price and the estimated fair value at date of sale) are held by the Organization on most houses sold after March 1998. Mortgage note payments under these "soft" second mortgages are not due as long as the homeowners retain ownership and are current in their payments. If the homeowners are current on the first mortgage notes, then after certain specified years, the principal balances of the second mortgage notes will be reduced over various time periods so that at the end of the amortization period the principal balances of the mortgage notes will be zero. No amounts have been recorded for the second mortgages in the accompanying consolidated balance sheets.

Recourse Mortgage Notes

The Organization occasionally sells its non-interest bearing mortgage notes receivable. The sales have a provision which requires the Organization to repurchase the notes in the event of default. During 2012 and 2011, the Organization sold 81 and 71 mortgage notes receivable at their present values of \$4,333,935 and \$3,213,950, respectively. At June 30, 2012 and 2011, the total recourse mortgage notes receivable had face value of \$14,218,679 and \$9,672,274, respectively, and present values of \$8,293,777 and \$5,458,067. In the event the notes are repurchased, the Organization has the right to foreclose and resell the associated property.

NEW ORLEANS AREA HABITAT FOR HUMANITY, INC.
NEW ORLEANS, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

11. Commitments and Contingencies (continued)

Guarantees

In March 2009, the Organization entered into agreements with a local financial institution, in which the financial institution provided certain funds for the construction of the Center in return for approximately \$3,700,000 of income tax credits. In return, the Organization guaranteed the completion of the Center and lease so that the tax credits would be realized in the future. If the Center and lease were not completed and the tax credits became worthless, the Organization would reimburse the financial institution their loan of \$2,850,000 plus an additional \$850,000 to cover the loss of tax credits. In August 2011, the Center opened and began operating as a music venue and the lease term began on January 1, 2012. As of June 30, 2012, the Organization has applied for and received \$1,567,554 of tax credits with the State of Louisiana. As agreed, the Organization split the tax credit income with the New Orleans Habitat Musicians Village, Inc. and therefore recognized \$783,777 of net tax credit income in the accompanying consolidated statement of activities.

12. Related Party Transactions

Several members of the Organization's board of directors and finance committee are high ranking officials of financial institutions who hold recourse mortgage notes that were purchased from the Organization (See Note 11).

During 2012, the Organization purchased shares of stock through an initial public offering of a financial institution that holds recourse mortgage notes purchased from the Organization, and whose president is a member of the Organization's finance committee. Subsequent to year end in July 2012, these shares of stock were sold.

13. Supplemental Disclosures of Cash Flow Information

During the years ended June 30, 2012 and June 30, 2011, non-interest bearing mortgage notes receivable of \$2,558,000 and \$2,949,300, respectively, with unamortized discount of \$744,792 and \$1,315,020, respectively, resulted from sale of homes. In 2012 and 2011, construction materials with a fair market value of \$544,322 and \$482,966, respectively, were donated. Interest paid in 2012 and 2011 was \$29,104 and \$30,411, respectively.

During 2012, the Center as reflected in Note 11 above was completed. The Center's cost of \$8,451,797 was then transferred from construction inventory to property and equipment.

NEW ORLEANS AREA HABITAT FOR HUMANITY, INC.
NEW ORLEANS, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

14. Financial Instruments and Credit and Market Risk Concentration

Financial instruments which are potentially subject to concentrations of credit risk consist principally of cash and cash equivalents, investments and mortgage notes receivable. Cash and cash equivalents are placed with high quality financial institutions to minimize risk. Investments consist of certificates of deposit and government securities. The certificates of deposit have been placed in increments up to \$250,000 with banks nationwide and are fully insured by the Federal Deposit Insurance Corporation (FDIC). Government securities consist primarily of U.S Treasury bills at both June 30, 2012 and 2011. The Organization's mortgage notes receivable base is limited to primarily New Orleans, Louisiana. Risk is mitigated in that homeowners insurance and flood insurance are required on all homes securing the mortgage notes.

The Organization maintains the majority of its cash at large national and regional financial institutions. The funds were either FDIC insured or were maintained in a sweep account that was collateralized at 102% of the market value of FNMA or government securities. At June 30, 2012 and 2011, uninsured cash balances totaled \$1,670,767 and \$3,947,150, respectively. The Organization has not experienced losses on these accounts and management believes the Organization is not exposed to significant risks on such accounts.

15. Fair Value Measurements

Fair value is defined as the price that would be received by the Organization for an asset or paid by the Organization to transfer a liability (an exit price) in an orderly transaction between market participants on the measurement date in the Organization's principal or most advantageous market for the asset or liability. The fair value hierarchy requires the Organization to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 Measurements) and the lowest priority to unobservable inputs (Level 3 Measurements). The three levels of the fair value hierarchy are described below:

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Organization has the ability to access.

NEW ORLEANS AREA HABITAT FOR HUMANITY, INC.
NEW ORLEANS, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

15. Fair Value Measurements (continued)

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in inactive markets;
- Inputs other than quoted prices that are observable for the asset or liability;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

All investments of the Organization are valued using Level 1 inputs. Following is a description of the valuation methodologies used for assets measured at fair value.

Certificates of deposit: Stated at cost, plus accrued interest, which approximates fair value.

Money market funds: Stated at cost, plus accrued interest, which approximates fair value.

Government securities: Stated at cost, plus accrued interest, which approximates fair value.

Stock subscription: Stated at cost, which approximates fair value.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values.

Furthermore, while the Organization believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

NEW ORLEANS AREA HABITAT FOR HUMANITY, INC.
NEW ORLEANS, LOUISIANA

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2012 AND 2011

16. Subsequent Events

Management has evaluated subsequent events through the date that the financial statements were available to be issued, November 14, 2012, and determined that there were no other items for disclosure.

SUPPLEMENTARY INFORMATION

SCHEDULE 1

**NEW ORLEANS AREA HABITAT FOR HUMANITY, INC.
CONSOLIDATING STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2012**

	New Orleans Area Habitat for Humanity, Inc.	NOAHH MC, Inc.	Eliminations	Consolidated
	<u>ASSETS</u>			
<u>CURRENT ASSETS</u>				
Cash and cash equivalents	\$ 2,049,758	\$ 475,823	\$ -	\$ 2,525,581
Accounts receivable	189,441	-	(69,249)	120,192
Grants and pledges receivable	718,113	-	-	718,113
Investments	2,082,063	-	-	2,082,063
Mortgage notes receivable, current portion	171,172	-	-	171,172
Construction inventory	6,615,437	-	-	6,615,437
Asset held for sale	866,191	-	-	866,191
ReStore inventory	97,077	-	-	97,077
Prepaid expenses	38,160	-	-	38,160
Due from New Orleans Area Musicians Village	104,880	40,000	(144,880)	-
Notes Receivable MC, current portion	6,650,000	-	(6,650,000)	-
Total current assets	<u>19,582,292</u>	<u>515,823</u>	<u>(6,864,129)</u>	<u>13,233,986</u>
<u>NON-CURRENT ASSETS</u>				
Mortgage notes receivable, net	3,457,800	-	-	3,457,800
Property and equipment, net	2,778,298	8,482,202	-	11,260,500
Loan costs, net	-	243,953	-	243,953
Deposits	2,332	-	-	2,332
Total non-current assets	<u>6,238,430</u>	<u>8,726,155</u>	<u>-</u>	<u>14,964,585</u>
<u>TOTAL ASSETS</u>	<u>\$ 25,820,722</u>	<u>\$ 9,241,978</u>	<u>\$ (6,864,129)</u>	<u>\$ 28,198,571</u>
	<u>LIABILITIES AND NET ASSETS</u>			
<u>CURRENT LIABILITIES</u>				
Accounts payable	\$ 262,393	\$ 174,428	\$ (69,249)	\$ 367,572
Notes payable, current	111,111	-	-	111,111
Other liabilities	48,075	75,833	-	123,908
Accrued remediation costs	128,092	-	-	128,092
Due to New Orleans Area Musicians Village	772,982	-	(144,880)	628,102
Total current liabilities	<u>1,322,653</u>	<u>250,261</u>	<u>(214,129)</u>	<u>1,358,785</u>
<u>NOTES PAYABLE, LONG-TERM</u>	<u>888,889</u>	<u>9,500,000</u>	<u>(6,650,000)</u>	<u>3,738,889</u>
	<u>2,211,542</u>	<u>9,750,261</u>	<u>(6,864,129)</u>	<u>5,097,674</u>
<u>NET ASSETS</u>				
Unrestricted	23,183,838	(508,283)	-	22,675,555
Temporarily restricted	425,342	-	-	425,342
Total net assets	<u>23,609,180</u>	<u>(508,283)</u>	<u>-</u>	<u>23,100,897</u>
<u>TOTAL LIABILITIES AND NET ASSETS</u>	<u>\$ 25,820,722</u>	<u>\$ 9,241,978</u>	<u>\$ (6,864,129)</u>	<u>\$ 28,198,571</u>

SCHEDULE 2

**NEW ORLEANS AREA HABITAT FOR HUMANITY, INC.
CONSOLIDATING STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012**

	New Orleans Area Habitat for Humanity, Inc.	NOAHH MC, Inc.	Eliminations	Consolidated
<u>REVENUE AND OTHER SUPPORT</u>				
Contributions	\$ 1,683,836	\$ -	\$ -	\$ 1,683,836
Home sale revenue, net of discount	1,824,548	-	-	1,824,548
Grant income	1,117,779	-	-	1,117,779
Tax credit income	-	783,777	-	783,777
Interest income on mortgage notes	246,369	-	-	246,369
Investment income	73,083	1,585	(67,608)	7,060
ReStore income	662,977	-	-	662,977
Gain on sale of mortgage notes	958,002	-	-	958,002
Other income	926,193	126,591	(783,777)	269,007
Total revenues and other support	<u>7,492,787</u>	<u>911,953</u>	<u>(851,385)</u>	<u>7,553,355</u>
<u>EXPENSES</u>				
Program services	5,859,422	549,493	(67,608)	6,341,307
Management and general	493,646	783,777	(783,777)	493,646
Fundraising	376,338	-	-	376,338
Total expenses	<u>6,729,406</u>	<u>1,333,270</u>	<u>(851,385)</u>	<u>7,211,291</u>
<u>CHANGE IN NET ASSETS</u>	763,381	(421,317)	-	342,064
Net assets, beginning of year	<u>22,845,799</u>	<u>(86,966)</u>	<u>-</u>	<u>22,758,833</u>
Net assets, end of year	<u>\$ 23,609,180</u>	<u>\$ (508,283)</u>	<u>\$ -</u>	<u>\$ 23,100,897</u>

NEW ORLEANS AREA HABITAT FOR HUMANITY, INC.

Single Audit Report

June 30, 2012



Postlethwaite
& Netterville

A Professional Accounting Corporation

www.pncpa.com

New Orleans Area Habitat for Humanity, Inc.

Single Audit Report

June 30, 2012

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors and Officers
New Orleans Area Habitat for Humanity, Inc.:

We have audited the consolidated financial statements of New Orleans Area Habitat for Humanity, Inc. (a nonprofit organization) (NOAHH) as of and for the year ended June 30, 2012, and have issued our report thereon dated November 14, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of NOAHH is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered NOAHH's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of NOAHH's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of NOAHH's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's consolidated financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether NOAHH's consolidated financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of consolidated financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board and Officers, NOAHH's management, and the State of Louisiana Legislative Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Postlethwaite & Hitterville

Metairie, Louisiana
November 14, 2012

**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT
AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
AND THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

To the Board of Directors and Officers
New Orleans Area Habitat for Humanity, Inc.:

Compliance

We have audited the compliance of New Orleans Area Habitat for Humanity, Inc. (a nonprofit organization) (NOAHH), with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. NOAHH's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of NOAHH's management. Our responsibility is to express an opinion on NOAHH's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about NOAHH's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on NOAHH's compliance with those requirements.

In our opinion, NOAHH complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of NOAHH is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered NOAHH's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses in internal control over compliance. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the consolidated financial statements of NOAHH as of and for the year ended June 30, 2012, and have issued our report thereon dated November 14, 2012, which contained an unqualified opinion on those statements. Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements that collectively comprise NOAHH's basic consolidated financial statements. The schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States and Local Governments, and Non-Profit Organizations*, and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the consolidated financial statements taken as a whole.

This report is intended solely for the information and use of the Board and Officers, NOAHH's management, and federal awarding agencies and pass-through entities, such as the State of Louisiana and Legislative Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties. However, under Louisiana Revised Statute 24:513, this report is distributed by the Legislative Auditor as a public document.

Robert M. White & Huttonville

Metairie, Louisiana
November 14, 2012

New Orleans Area Habitat for Humanity

Schedule of Expenditures of Federal Awards

For the year ended June 30, 2012

<u>Federal Grantor/Pass-Through Grantor/ Program Title/Grant Name</u>	<u>Federal CFDA Number</u>	<u>Grant Number/ Pass-Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
U.S. Department of Housing and Urban Development:			
Pass-through program from:			
Louisiana Housing Finance Agency (LHFA)			
Habitat for Humanity of Louisiana State Support Organization, Inc.			
CDBG Entitlement Grant Program	14.218	Not applicable	<u>1,117,779</u>
Total Federal Grant Expenditures			<u>\$ 1,117,779</u>

See accompanying notes to the schedule of expenditures of federal awards.

New Orleans Area Habitat for Humanity, Inc.

Notes to Schedule of Expenditures of Federal Awards

June 30, 2012

1. General

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards of New Orleans Area Habitat for Humanity, Inc. (NOAHH). The NOAHH reporting entity is defined in Note 1 to the consolidated financial statements for the year ended June 30, 2012. All federal awards received directly from federal agencies are included on the schedule, as well as federal awards passed-through other government agencies.

2. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note 1 to NOAHH's consolidated financial statements for the year ended June 30, 2012.

3. Relationship to Financial Statements

Federal expenditures of \$1,117,779 are reported as follows:

Construction in progress	\$ 746,894
Cost of homes sold	370,885
Total federal expenditures	<u>\$ 1,117,779</u>

4. Relationship to Federal Financial Reports

Amounts reported in the Schedule of Expenditures of Federal Awards agree with the amounts reported in the related federal financial reports, except for the amounts in reports submitted subsequent to June 30, 2012.

New Orleans Area Habitat for Humanity, Inc.

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

(1) Summary of Auditors' Results

Financial Statements

The type of report issued on the financial statements: unqualified opinion

Internal control over financial reporting:

- Material weakness(es) identified? no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? none reported

Noncompliance material to the financial statements noted? none

Federal Awards

Internal controls over major programs:

- Material weakness(es) identified? no
- Significant deficiency(ies) identified that are not considered to be material weaknesses? none reported

Type of auditor's report issued on compliance for major programs: unqualified opinion

Any audit findings which are required to be reported under Section 510(a) of OMB Circular A-133? none

Major programs:

United States Department of Housing and Urban Development:

Passed through the Louisiana Housing Finance Agency (LHFA)
Community Development Block Grants/ Entitlement
Grants 14.218

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as a low-risk auditee under Section 530 of OMB Circular A-133: yes

New Orleans Area Habitat for Humanity, Inc.

Schedule of Findings and Questioned Costs

Year ended June 30, 2012

(2) Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards*: **none**

(3) Findings and Questioned Costs relating to Federal Awards: **none**